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Review of Proposal — Pricing

Pricing — Overview

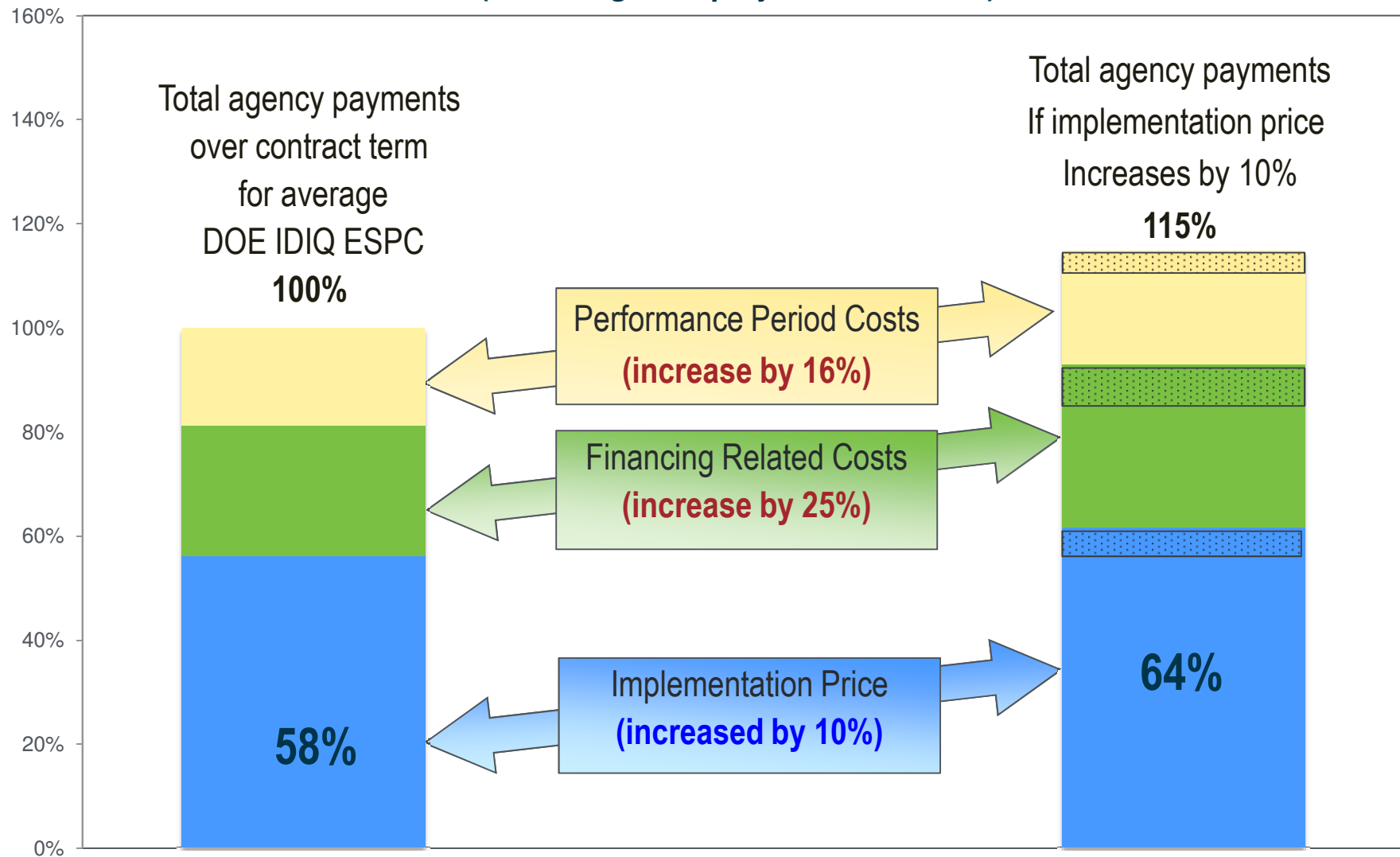
- Agency is responsible for determining price reasonableness
- Pricing is summarized in financial schedules
 - TO-2, Implementation Price by Energy Conservation Measure, and
 - TO-3, Post-Acceptance Performance-Period Cash Flow
- ESCO should provide information supporting ECM and project pricing (as specified by agency in TO RFP requirements)

Contracting Officers....

- You must be as careful in your analyses of purchases under the ESPC as any other.
- Paying fair and reasonable prices is critical in ESPCs where procurement is financed over time.
- Next slide demonstrates the result of careful evaluation of your project costs.

Why Verifying ECM Prices is Important

**Increasing implementation price by 10% raises
total payments over term by ~15%**
(assuming a 5% project interest rate)



Regulatory Perspective on Price Reasonableness in ESPCs

- ESPC authorizing legislation stresses life-cycle cost-effectiveness, but does not exempt agencies from assuring price reasonableness
- DOE Rule, 10 CFR 436
 - Waives requirement for submission of certified cost data
 - States that offerors must nevertheless provide information requested by federal agencies
 - Did not specify how agencies are to assure price reasonableness

Federal Acquisition Regulations (FAR) Apply to Federal ESPCs:

- Subpart 15.4, “Contract Pricing”
- In case of conflicts, EPAAct or the DOE Final Rule take precedence
- There are no conflicts between FAR Subpart 15.4 and ESPC regulations regarding price reasonableness determination
- (More on Far guidance later)

Supporting Information on Pricing

- Agency specifies required level of detail in TO RFP
 - Project development costs
 - Implementation-period pricing
 - Performance-period expenses
- ESCO's subcontract pricing can be valuable information
 - Agencies have sometimes required information on competition of subcontracts

Overall Review Strategy

- Start with the TO schedules
- Look for reasonableness, consistency, and back-up documentation on
 - ECM implementation price
 - Performance-period expenses
- Make sure total price is complete and reflects appropriate implementation costs
- Make sure performance-period services are consistent with assignments per Risk, Responsibility, and Performance Matrix

ECM Pricing Review Strategy — Step 1

- Agency assesses quality and completeness of data provided by ESCO
 - with PF and FEMP ESPC team assistance

ECM Pricing Review Strategy — Step 2 — FEMP Web Tools

- For cost-effective review, first use [ECM Price Benchmarks](#) (ORNL-FEMP database on prices of lighting, chillers, VFDs, GSHPs)
 - If within acceptable range, move on
 - If high/low, then flag for discussion with ESCO
- Next use [ECM Locator](#) to identify similar ECMs for comparison
 - If within acceptable range, move on
 - If high/low, then flag for discussion with ESCO

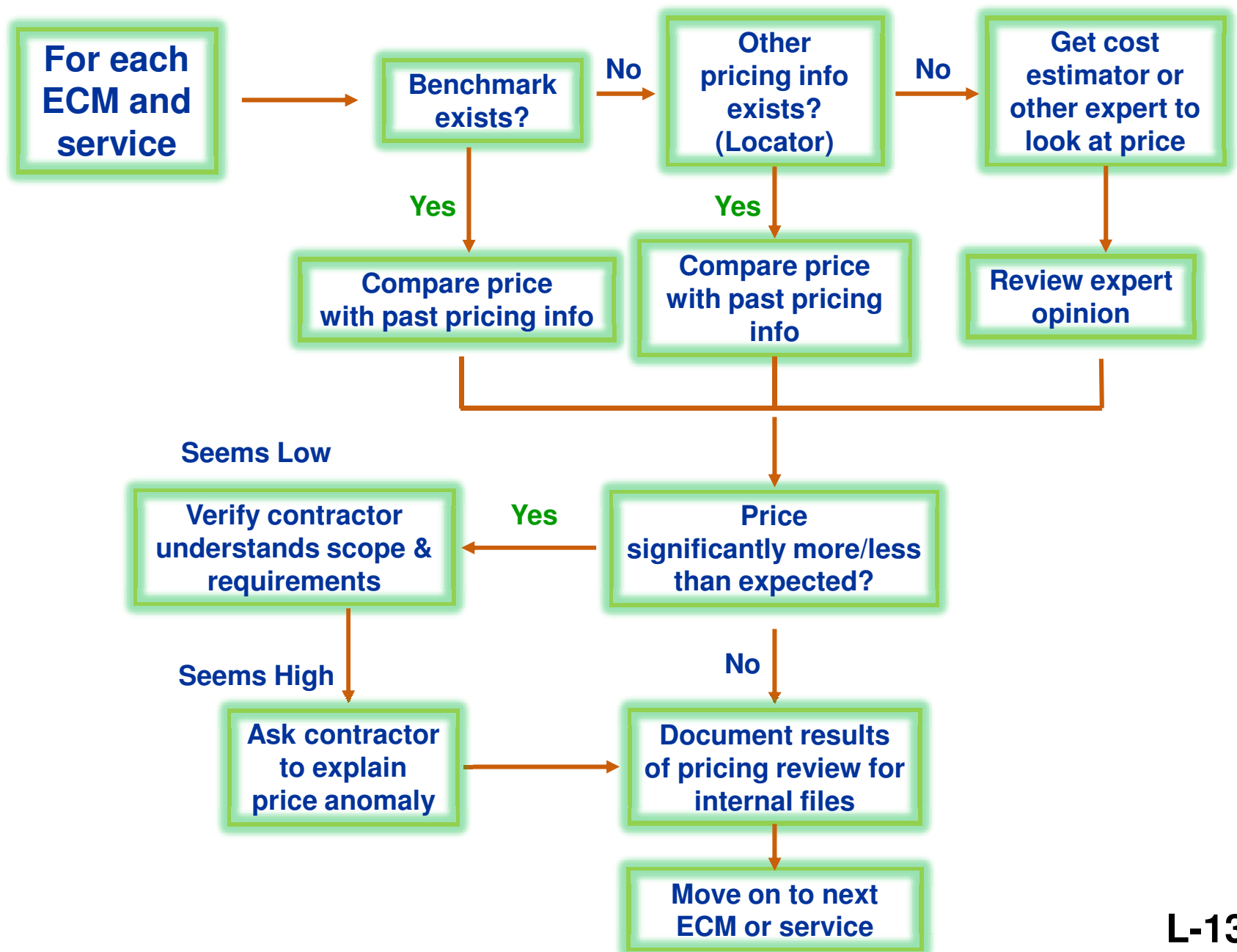
How to Access ECM Benchmarks and Locator

- Go to: hyperion.ornl.gov/espc
- Request a sign-on
- Tutorials are available for each tool

Benchmarks/locator make quick work of some ECMs — freeing up time for team to analyze prices of ECMs having no price comparison data.

ECM Pricing Review Strategy — Step 3

- If no benchmarking or locator data exist, the team must independently assess the ECM price for reasonableness



Use All Your Resources:

- Project facilitator
- Site- and agency-level experts
- Site- and agency-level data
- National Laboratory experts on specific technologies
- Supporting information supplied by the ESCO (at whatever level you specify)
- Cost information from ESCO's subcontracts

Review — True or False?

Q1: The ESPC legislation stresses life-cycle cost-effectiveness.

A: True

Q2: The DOE Rule (10 CFR 436) waives requirements for submission of certified cost data for ESPCs.

A: True

Q3: The agency can specify whatever requirements for ESCO submission of pricing information it deems necessary in the TO-RFP.

A: True

Q4: FAR requirements on contract pricing do not apply to ESPCs.

A: False

Q5: Price reasonableness determination is an agency responsibility.

A: True



Exercise 5

Review of TO Schedules

Break after
Exercise 5 ►



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**Phase 4 –
Construction
Through
Project
Acceptance**